

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 625**

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**Introduced by Assembly Member Bonta**

February 24, 2015

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An act to amend Section 42127.3 of the Education Code, relating to schools.

LEGISLATIVE COUNSEL'S DIGEST

AB 625, as amended, Bonta. ~~School districts: audits and findings.~~  
*School finance: school district budgets.*

*(1) Existing law requires a school district to adopt a budget for the subsequent fiscal year, as specified. Existing law requires the county superintendent of schools to examine the adopted budget, make certain determinations related to the adopted budget, and approve, conditionally approve, or disapprove the adopted budget for each school district, as specified.*

*If the adopted budget is conditionally approved or disapproved, existing law specifies a process for revising the budget. If the county superintendent of schools disapproves the revised budget, existing law requires him or her to call for the formation of a budget review committee, as specified. Existing law requires the budget review committee to review the proposed budget of the school district and the underlying fiscal policies of the school district and to transmit to the Superintendent of Public Instruction, the county superintendent of schools, and the governing board of the school district either a recommendation that the school district budget be approved or a report disapproving the school district budget and setting forth recommendations for revisions to the school district budget, as specified.*

*If the budget review committee disapproves the school district budget, existing law authorizes the governing board of the school district to submit a response to the Superintendent, as specified, and, based upon the recommendations of the budget review committee and any response to those recommendations provided by the governing board of the school district, requires the Superintendent to either approve or disapprove the budget. If the Superintendent disapproves the budget, existing law requires the Superintendent to notify the governing board of the school district in writing of the reasons for that disapproval and requires the county superintendent of schools to take certain actions as necessary, including, among others, determining whether there are any financial problem areas and employing, subject to approval by the Superintendent, a certified public accounting firm to investigate financial problem areas.*

*This bill would add appointing a fiscal adviser to perform specified duties of the county superintendent of schools to the list of actions a county superintendent of schools is required to take as necessary. To the extent this bill would impose additional duties on a county superintendent of schools, the bill would impose a state-mandated local program. The bill would also make various nonsubstantive changes.*

*(2)The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.*

~~Existing law requires the county superintendent of schools to report to the Superintendent of Public Instruction on the financial condition of a school district if the county superintendent determines a school district may be unable to meet its financial obligations for the current or 2 subsequent fiscal years or if a school district has a qualified or negative certification. Existing law requires the county superintendent to take at least one of certain actions and all actions that are necessary to ensure that the district meets its financial obligations.~~

~~This bill would state the intent of the Legislature to enact legislation that reforms the audit procedures and findings for a school district that has been taken over by the State of California.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.  
State-mandated local program: ~~no~~-yes.

*The people of the State of California do enact as follows:*

1     **SECTION 1.** *Section 42127.3 of the Education Code is amended*  
2 *to read:*

3     42127.3. (a) If the budget review committee established  
4 pursuant to Sections 42127.1 and 42127.2 recommends approval  
5 of the school district budget, the county superintendent of schools  
6 shall accept the recommendation of the budget review committee  
7 and approve the budget.

8     (b) If the budget review committee established pursuant to  
9 Sections 42127.1 and 42127.2 disapproves the school district  
10 budget, the ~~school district~~ governing board *of the school district*,  
11 not later than five working days after receipt of the report described  
12 in paragraph (2) of subdivision (b) of Section 42127.2, may submit  
13 a response to the Superintendent, including any revisions to the  
14 adopted final budget and any other proposed actions to be taken  
15 as a result of the recommendations of the budget review committee.  
16 Based upon the recommendations of the budget review committee  
17 and any response to those recommendations provided by the  
18 governing board of the school district, the Superintendent shall  
19 either approve or disapprove the budget. If the Superintendent  
20 disapproves the budget, he or she shall notify the governing board  
21 of the school district in writing of the reasons for that disapproval  
22 and, until the county superintendent *of schools* certifies the *school*  
23 district's first interim report pursuant to Section 42131, the county  
24 superintendent of schools shall do the following as necessary:

25     (1) Not later than November 30, develop and adopt, in  
26 consultation with the Superintendent and the governing board of  
27 the school district, a fiscal plan and budget that will govern the  
28 *school* district and will allow the *school* district to meet its financial  
29 obligations, both in the current fiscal year and with regard to the  
30 *school* district's multiyear financial commitments. The  
31 Superintendent may extend the date by which the county  
32 superintendent of schools is required to develop and adopt a fiscal  
33 plan and budget. The governing board of the school district shall  
34 govern the operation of the *school* district for the current fiscal  
35 year in accordance with that adopted budget.

(2) Cancel purchase orders, prohibit the issuance of nonsalary warrants, and otherwise stay or rescind any action that is inconsistent with the budget adopted pursuant to paragraph (1). The county superintendent of schools shall inform the governing board of the school district in writing of his or her justification for any exercise of authority under this paragraph.

(3) Monitor and review the operation of the school district.

*(4) Appoint a fiscal adviser to perform any or all of the duties of the county superintendent of schools prescribed by this section.*

~~(4)~~

(5) Determine the need for additional staff and may employ, subject to approval by the Superintendent, short-term analytical assistance or expertise to validate financial information if the *school* district staff does not have the expertise or staff.

~~(5)~~

(6) Require the school district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables.

~~(6)~~

(7) Determine whether there are any financial problem areas and may employ, subject to approval by the Superintendent, a certified public accounting firm to investigate financial problem areas.

~~(7)~~

(8) Withhold compensation of the members of the governing board *of the school district* and the *superintendent of the school district-superintendent* for failure to provide requested financial information. A forfeiture may be appealed to the Superintendent pursuant to subdivision (b) of Section 42127.6.

(c) If, during the selection of the budget review committee or during the committee's review of the budget, an agreement is reached between the governing board of the school district and the county superintendent of schools, and the school district revises its budget to comply with this agreement, the county superintendent of schools shall approve the *school* district budget and the budget review committee selection, or its review of the budget, shall be canceled.

(d) The school district shall pay 75 percent and the county office of education shall pay 25 percent of the actual administrative

1 expenses incurred pursuant to subdivision (b), or costs associated  
2 with improving the *school* district's financial management  
3 practices. The Superintendent shall develop, and distribute to  
4 affected school districts and county offices of education, advisory  
5 guidelines regarding the appropriate amount of any fees charged  
6 pursuant to this subdivision.

7 (e) This section shall not be construed to authorize the county  
8 superintendent of schools to abrogate any provision of a collective  
9 bargaining agreement that was entered into by a school district  
10 ~~prior to~~ *before* the date upon which the county superintendent of  
11 schools disapproved the budget of the school district pursuant to  
12 subdivision (b).

13 *SEC. 2. If the Commission on State Mandates determines that*  
14 *this act contains costs mandated by the state, reimbursement to*  
15 *local agencies and school districts for those costs shall be made*  
16 *pursuant to Part 7 (commencing with Section 17500) of Division*  
17 *4 of Title 2 of the Government Code.*

18 ~~SECTION 1. It is the intent of the Legislature to enact~~  
19 ~~legislation that reforms the audit procedures and findings for a~~  
20 ~~school district that has been taken over by the State of California.~~